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contrasted with our mild recession from '53 (a decline of about 3%) and Western Europe's gain but nowhere near in terms as large as the Soviet's. Their industrial production was approximately 12% higher than it was in the preceding year, a rate that is better than they have averaged since the war and approximates their more successful years of '48 to '50. Despite all the talk about drought, and there were serious droughts in the Ukraine and TransVolga, their net grain production was 4 - 5% higher than the previous year. And with the emphasis (which probably now has ceased) on turning out more consumers goods, the actual Soviet citizens' standard of living was probably up pretty near 5% over the year before. Thus, it's kind of a conundrum why the shake-up at the top. Why did we have all these events that first became clearly evident to everyone in the Free World around Christmas time and had their climax early in February, although maybe not their final climax?

There are four major possibilities. One is that it is nothing but another chapter in a long dismal tale of pure Byzantine intrigue for personal supreme power: that all Bolsheviks want to be the top Bolshevik and they are not satisfied 'til they've got a knife in everybody else's back who stands in their way. Another is that there was a significant failure and there was a need felt, by the collective leadership of the party in the country, to find a scapegoat. Third, merging into the second I admit, is that there were critical differences of opinion with respect to internal problems, primarily agricultural, and the leadership couldn't rationalize its differences or smooth them over, and as a result Malenkov was eased out. And the fourth possibility is that there were crucial differences over their estimate of the world situation, and what they must do on the external front. Sometimes this is summarized, and I think misleadingly, into differences on foreign policy, but be as it may, it is external to the Soviet Union.

Now, none of those four possibilities are totally absent as we read the evidence today, and there are strong advocates that each one of the four is the paramount cause. I personally am a strong advocate of the position that the last is the principal cause. It's a very complicated tale and, as I said a minute ago, the evidence is certainly by no means all in.

~~very serious matter~~ ^a Nobody is going to get/knife in his back, but there are very fundamental splits within the intelligence community. We try to speak as a community but at this state of the record you just can't expect everybody to be in agreement. There are, for example, rather sharp differences between Ambassador Bohlen in Moscow and the Soviet experts here in the Department of State and in the [REDACTED]

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people on the other. Now, it would probably be more appropriate for me to give you "on the one hand, on the other hand", and leave you all evenly balance to make up your own mind, but I just haven't time in this thing to be that dispassionate and scholarly and so, being slightly cocky on the matter, I'm going to stick my neck out and give you a presentation - as objectively as possible - of why I think this shake-up is caused by their views as to the world situation and what that means for us.

Now, first as to the personal power struggle. In the first place - sure it exists! It has existed and it goes all the way back to 1952, in clear, stark terms, at the 19th part Congress at which time Malenkov was clearly pretty well the "top dog" next to Stalin. In March '53, right after Stalin's death, Malenkov made a couple of false moves, too fast moves - not to get supreme power for he knew perfectly well he couldn't do that in a matter of days or weeks, but to put himself in an impregnable position from which he would have the best opportunity to maneuver thereafter. And he was promptly nipped just like this: he was taken out as Secretary of the party and all publicity that started to play him up along with Stalin and Mao Tse Tung was toned down to even little strips, everybody's picture 9 inches high, or 19 feet high as the case might be but no difference between them.

All during the next 20 odd months you had a series of "ups" and "downs" of Khrushchev and Malenkov as far as the public was concerned. But every time you got a chance to look at them sort of alone, at home in their natural habitat (we didn't get such opportunities very much, but our friends, our neutral diplomats, particularly Joxe the French Ambassador, our Swedish friends, the [REDACTED] who went through), all were convinced and had

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good hard evidence to show that in the last analysis as late as October of last year, Malenkov was clearly on top. Khrushchev would sound off a bit in a loud mouth way but he'd be 'shooshed' by Malenkov in a quiet but impressively authoritative way. Then, things got out of hand around Christmas time. The evidence we have is primarily the Isvestia-Pravda dispute, theretofore virtually unknown in terms of that kind of stridency, on the subject of heavy versus light industry, an obvious rubric or cover story for something else. There never had been a great play that would have put consumers goods on top as a priority versus heavy industry. It was a question of emphasis and whether the heavy industry should grow at a greater rate than the rest of the economy; and all Soviets agreed to that. When Malenkov made his speeches for great strides in consumers goods back in 1953, he was careful to put in a caveat "but, of course, the fundamental basis of Soviet economy is heavy industry". So, this was a cover story for something else - perfectly clearly.

Then there was a crucial meeting in the Central Committee of the Communist Party of the Soviet Union in January. We wish we knew a lot more about it than we do, but we have ~~it from~~ [REDACTED]

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[REDACTED] that Malenkov was pretty heavily called on the carpet, and frankly lost his temper and stomped out of the meeting; the first time that has ever been done since 1919 by a senior person and that, plus running his line in Isvestia, was unpardonable. Up to that time they were going to make a shift, but Malenkov was going to be given a chance to cover his tracks as far as the public was concerned. But at that point he had had it, and, so, the rather disgraceful abysmal resignation statement was read for him at the meeting of the Supreme Soviet. But, as of last night, I would say that Khrushchev clearly was not in sufficiently dominant a position to be able to throw Malenkov completely to the wolves. On the other hand, this morning ~~now~~ in the lower right hand corner of The Times, you see, for the first time, a rugged Pravda editorial calling those who took Malenkov's stand. (I think they're talking about the economists rather than about him ostensibly but it could be directed at him) enemies of the people; that language has not been used before in the struggle and that could indicate that the noose was coming closer to his neck. So, I cannot deny that there's this element

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of personal rivalry and struggle. However, at the moment, Khrushchev may be the dominant but he's by no means capable of exercising one man dictatorial power.

Now as to the question of failure and need for a scapegoat. Well, in a sense I covered that economically when I gave you the figures that confronted them. If that had been true, it would have been much better to have fired Malenkov at the end of 1953. The agriculture was in a much worse mess in '53 than it was in '54, the change-over in the industrial front had been botched in many ways; ~~and~~ '53 showed very little improvement over '52. Thus, I just don't think you can find evidence there. When you come to internal differences as to what to do about it, ~~Yes~~. They are there but this was a strange time to have them produce a crisis because the big decision to solve the agricultural problem by opening up new lands was made last August. There was a fight about it before. Malenkov, I think, stood for more incentive, more consumers' goods: 'let's offer the farmers washing machines and bicycles, and so on and so forth, and that way we will stimulate them to greater production.' The hard boiled boys (Khrushchev, Kaganovich and others) said, "Oh, no. The only way to do is to drive them by good organization, run everything by machine tractor station and open up new lands". And if I may digress for a second, this new land program is of very, very major proportions. It will add, if it goes through, arable land equal to the total arable land of Canada to the farms of the Soviet Union. What they, in fact, actually accomplished last year, in just one year, was to put under the plow and reap good crops from land that's equivalent of all the farm land in the state of Iowa. So, this is by no means a little song and dance thing. It is a ^{very} major pioneering effort. But that, as I say, was settled and everybody was going along with it from August and after that we know Malenkov was still on top.

Well, now let me turn to the major thesis: foreign policy and outlook on the world situation. Perfectly clear it is that Malenkov was always the most soft spoken of the Soviet leaders in the post-Stalin era. He was the one who led off with various new theses about the meaning of war. He, I'm sure, had the most to do with liquidating the Korean War ^{going} along with our policy. ~~but he was going along with it, and~~ In Indochina, the ^{Soviet} policy there certainly

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was one of taking less than you could have got in a realistic sense by continuing military aggression last May and June. I think it's perfectly clear and they knew it as well as we did, that after the fall of Dienbienphu the French had had it, and if Giap had pulled himself together, tired as he was, and gone storming down to Hanoi he could have had Hanoi by force of arms, and, undoubtedly, (if we hadn't intervened and which we were not prepared to do under the conditions then as you know) probably have gotten to Saigon by now. But they preferred to take a delayed "note", ^{payable} so to speak, for Indochina in terms of the Geneva Agreement and put their arms away.

Now, whenever you saw Malenkov and Molotov, or Malenkov and Khrushchev together, he was always the mildest spoken of them. An excellent little example: one time Khrushchev was making a speech and kept talking about how tough the Soviet Union was, and how they'd punch anybody in the nose that gave them a hard time. Malenkov would turn to him and say, "For peace, for peace, you fool, for peace." And old Khrushchev would say, "Oh, yes, by the way what I meant to say was: of course, we're a great peace loving people."

Secondly, in November, when Joxe was talking about the ratification of the Paris Agreements on Western European Union, Khrushchev, Bulganin and Molotov all said: "If this is ratified, that's the end, and there's nothing further can be done; there's nothing to talk about"; Malenkov terminated the conversation by saying, "Gentlemen, ~~there is nothing~~ ^{always} something/can be done."

Now, what called this "soft policy" into question? Well, it seems to me that the timing indicates that the success of Western European Union came as a great surprise to them. I don't know whether it is faulty reporting by an unobjective ambassador in Paris and elsewhere, or whether Molotov was so pig headed, but they jumped up and clicked their heels, so to speak, too early, and when, even after the French temporary defeat of it before Christmas, it went through, they suddenly realized they were going to be confronted with German rearmament which has been a very major bugaboo of theirs from the early days of World War II.

And, secondly, there was an increasing worry that we were going to tear up the note that we, the West, gave on South Vietnam; that we were going to

find a reason not to let them have, by the ballot box, what they had decided they would not take by arms, and they are determined to get South Vietnam. Therefore, looking ahead only a year, they envisage a crisis there. But much more important, much more sensitive, is their reaction to our new position in the Formosa Straits. I think with the help of the Alsops and others they couldn't possibly have failed to dope out the decision made at Denver last September when Quemoy was first bombarded heavily from their mainland: which decision was that we would not consider the offshore islands within our essential area of interest. Then came the attack on Ichang, a tiny little island in the northern part of the Tachen group, and immediately thereafter something new happened in Washington. And trying to look at it from where they are, reading our papers, and getting their reports on one little island: as I've jokingly said to some, General Trudeau and others here will remember it, we didn't even make the back pages of The New York Times when we took islands that size in the recent unpleasantness. But here was a great crisis in Washington, and the President going to the Congress and asking for power to defend Formosa and related positions; and the related positions could obviously only refer to some of the offshore islands. The day that came out, a Czech diplomat went to an allied diplomat in Washington, a great friend of ours, and said: "This is preventive war isn't it?" Just absolutely jittery, nervous, and shaking as he could be. In other words, their interpretation of this move, so far, has been that we were prepared to force an issue with China. But more important than that, I think, was the impression Bulganin and Khrushchev brought back from Peking. They went there you may remember, in September and October, to negotiate a new treaty, and to discuss ~~the~~ matters of mutual concern. And there seemed to be numerous, ~~the~~ incredible reports that they were shocked by the degree of intransigence, the degree of uncontrollability from their point of view, that they found in Peking. Peking is a communist regime. It's feeling its oats, it's done alright wherever it's gone so far, despite all its casualties and the pounding it took in Korea, and they ~~were~~ ^{the Chinese} determined and just said to the Russians: "O.K. we admit you're bigger and tougher than we are and in theory you can cut off the flow of Mig-17s and arms ~~and other things~~, industrial ^{etc.} equipment, to us, but we are determined to complete our revolution and that means

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~~secretly~~ of course, the offshore island part and very likely, (and almost certainly) Formosa, and you dare not fail to back us up, **because** if we try it and get licked, it's such a blow to world communism that you're set back for 50 years", ~~and~~ I think that's all they need to say; maybe they went on and said, 'of course, we always could be a Tito,' but I don't think they are that stupid. ~~but~~ ^{that} The point was / the Russians, putting all this together reappraised the situation very much the way history shows they reappraised it after Litvinov's failure at Munich; that Litvinov had done his best up to Munich to try and be the good boy at the garden party, to play with the League of Nations collective security thing. When Runciman and Munchen and the general "sell-out" of the Czechs over the Sudeten land took place, they reexamined then. You may remember Litvinov ~~Schickel~~ was fired on about April 1939. ~~secretly~~ Right after that we know they started increasing their military budget; they started considering themselves as being in a pre-war era, without any intention, themselves, of starting something. There is no record that they intended to invade Nazi Germany or run a preventive war and I think quite parallel now. This is not evidence and don't get me wrong on this, that they are prepared to put their finger on a date on the calendar sometime in '56, 7, 8, or something and say, "O.K. we must attack then." It's quite the opposite. I think it is their feeling that willy-nilly, as far as they are concerned, the world situation is going to get much tougher, and they may be caught in a box, in a bind, from which there is no out except the use of force. And with that in mind, they are -- put it in a homely way - battening down the hatches, putting the inexperienced soft, pudgy little captain off the bridge and putting the tough old proven sea dogs on it.

Now, in all of this, I haven't mentioned it but it's obviously subsumed, the military have played a very great role. I regret and deplore the tendency on the part of much of our public community to talk about Zhukov as a great, nice, big teddy bear and isn't it wonderful that he's in power because he won't let these lousy Bolsheviks try anything dangerous or nasty. I merely remind you that Mr. Zhukov was a full dues paying member of the Communist Party before he got commissioned as a second lieutenant. Moreover, the army, both enlisted and commissioned ranks, averages 77% members of either the

Communist Party or the Komsomols (youth organization in which one serves Communist Party apprenticeship). Moreover, Konev, who has risen only a stride behind Zhukov, is well known to be a particularly western-phobic individual, chauvinistic as they come. I don't say that these people are complete chauvinists, Boulangists or the like; they are, however, very clearly the type of people who will not yield an inch when they see, from their military analysis, that it would be a strategic setback for the Soviet Union. They're not adventurous - I'm not saying that - but the idea that they are heavy ^{ones} ~~brakes~~ on (), on the adoption of a firm policy, seems to me quite erroneous.

Now, let me sum up the hard evidence of this that we have recently. First, you have Molotov's speech, right after the firing of Malenkov, with great emphasis on how wrong Malenkov was in his analysis that all civilization would be destroyed in a hydrogen war; on the contrary it is not all civilization, it is the rotten capitalistic system, with its bloody oppression, that alone would perish from the face of the earth. You might say that was just a momentary enthusiasm on the part of Molotov, but that there has been continually played. A very thoughtful article, if anybody can think such a thing could be thoughtfully expressed, is in in the current March issue of 'Kommunist', which set doctrine for the faithful. It says that this Malenkov theory was nothing but something used by "the apologists of imperialism to frighten weak nerved and unstable elements; to sow the seeds of fatalism and pessimism, and to shake the faith in certainty of victory of the new over the old, the developing over the dying; however monstrous the dying fury of capitalism may be, atomic war will only hasten its end". This is, again, not saying, "We're going to start one" but rather, "Boys, if one starts, don't give up".

Then you have, for the first time, real support, rather than sympathy, promised by the Soviet Union to China in its struggle to complete its revolution and liberate Formosa (however, not anything saying 'if you attack Formosa tomorrow, we'll be with you.')

You also have the rise in the military budget. Some people have tried to pooh-pooh that and say, "Well, after all, maybe goods are becoming more

expensive and they had to do this anyway, or, maybe this is just more ostensible military appropriation which had previously been covered up in the secret, undisclosed portions of their budget." But I think that, under Ockham's razor, isn't as good as saying when you have a budget 12% bigger than you had before (and interestingly enough that is exactly the same percentage rise as the 1939 budget was over 1938 budget), it is significant.

You also have cancellations within the last few weeks of \$13,000,000 worth of firm agreements to purchase consumers' goods in England. That is almost the first time in the history of the Soviet Union's international trade that they have canceled a firm agreement. Some of you who have done business with them may say I'm crazy on this but I choose my words carefully. They frequently made dickers and offers and this, that, and the other thing, which they didn't carry through on; but when they got down to signing two sheets of paper and exchanging them as an ordinary sale contract would be they normally stuck with it. In this recent instance they have cut out these things but are still pressing their inquiries for strategic, ^{heavy} ~~weapons~~ goods.

They are stressing stockpiling all the time. They are buying sugar and copper in the world market in quantities that can only mean they are stockpiling. . . . They just haven't got the processing facilities to handle such items at the rate they're picking them up. In heavy industry, they're stressing production rather than further investments in capital goods. In fact, investment is down in all except heavy industry- and up very little in heavy industry - whereas two-shift plants are going on three-shift, one shift on two-shift, etc.

And, finally, we have some very intriguing remarks - and this please treat with particular sensitivity because we don't want such a source to dry out - to a neutral diplomat, just day before yesterday, in which Bulganin said, "You ask us why we got rid of Malenkov?" The primary reason was that, in addition to being a poor administrator, he was not "firm enough in foreign policy, particularly in backing up our loyal ally, China". Whether or not it's convincing to you, it is to me.

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So, if I were to sum up the Soviet picture confronting us, I would say that as a result of this shift, this ominous shift as I see it, the Soviets will be firmer; there will be more danger of crises pushed to the point where shooting may emerge; and, if shooting does emerge, they will, as months go by, be stronger militarily, and better prepared both psychologically and in terms of hardware, than they would have been had they continued the first post-Stalin course guided by the Malenkov school. How far ahead are they looking on this? Are they talking about a crisis in April, or a crisis this summer, or, are they talking about something as long as five years off? I don't see anyway of resolving that question. I think they see a bit of both. They are not quite sure when but they are convinced that we, the West, are now going to push at them and that they may be in trouble. When we get the sixth Five Year Plan (which will be out very shortly), we will have excellent clues to resolving that.

Now, so much for what they intend to do. I've taken a rather high percentage of my time on that because, from the point of view of what we're up against, I think it is the most important thing I have to say to you.

What about the hardware and the order of battle situation? I cannot take you in detail through that. Let me just hit some highlights and otherwise say that what has been stated publicly in Hanson Baldwin's column, in testimony before the Armed Services Committees, etc., are roughly accurate: the 175 divisions and the tippiest TOP SECRET things will still be within 1 or 2% of that; the number of planes and so on and so forth. But here are some of the highlights that have developed within the last year. In the first place, they

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have uncovered a brand new tank, the T-54 tank that we've known has been in production for many, many years (back into the immediate post-war period). However, they have reequipped, or are in the process of completing reequipping of, their German units with it for the first time; heretofore they'd used them only deep in the Soviet Union. It apparently is a very, very good tank. I don't know how many Ordnance officers are here but I think you'd be interested in studying it and seeing how ours will get along with it.

Secondly, we see rather substantial recent progress in fixed antiaircraft defenses around cities. I can't go into any of the specific details but it looks like they were getting ready to employ something that would be at least as effective, range and otherwise, as Nike 1 and might be, because of the range and dispersion of it, approaching Nike B.

25X1X7 Their submarine construction and conversion has been pressed at a remarkable rate. Everytime we reexamine one of those estimates, we add to it by 20%. [REDACTED] and we are in complete agreement on this. This is very hard evidence: I mean these submarines are counted by the "eaches" and not by estimates of dozens or twenties. They are building, we believe, 68 new ocean patrol submarines each year, adding to a fleet of good ones, now estimated at over a hundred. Recall that when Hitler started his war in 1939, he had just 38 seaworthy submarines to deploy and came fairly close to destroying the Free World's merchant shipping then.

The construction and equipment of the long-range air force with these new twin engine bombers is going on rapidly. On the four engined one, we don't see it yet: it may still have bugs in it, or it may still be a prototype. That is reassuring from the point of view of Chicago and Cleveland. On the other hand, the TU-16, on a one-way mission, has plenty of legs to get here. And I've never believed that the Soviets, if pushed to it - I don't think they'll plan something on that, but if they got in an all-out war with us and we were bombing Moscow - couldn't get just as many patriots as the Japs got Kamikazes to take a plane over here! After all, you're not certain its fatal death; they can probably tell them the Americans are nice, soft suckers anyway. 'You take out Chicago, land in a corn field in Illinois, and you'll be at least the local curiosity, if not hero, and they won't do much to you.'

In the atomic energy field, it is interesting to note that last year we had pretty hard evidence that one of their explosions was, in fact, in a military maneuver. Zhukov and all the big wheels were there; it was not just a demonstration but part of a major army field exercise. They have not yet, I think you know, developed a super weapon in the sense of multimegaton. Their biggest "bang" is approximately a megaton but is the biggest of the small things rather than a small one of the bigs. My hunch is, and I think our general expectation is, that they have the know-how and that probably this summer we will see them test one of these [big ones]. One of the biggest questions is Washington is: could they be stockpiling them without having tested one? Would they dare try it? The best scientific opinion is that they would not, but you must always remember there's a slight caveat to that: that on the Saturday before they set off their biggest one to date, Malenkov stood up in the Supreme Soviet and predicted, "We have the secret to the hydrogen bomb and we're going to explode one"; and they did on [the following] Wednesday. I've asked a great many people, in our AEC and elsewhere, if they would have made the same prediction before the equivalent shot that we kicked off in the Pacific and they all said ^{tell us.} "Huh-huh".

On guided missiles they certainly are making progress. We have no evidence of ICBMs (intercontinental ballistic missiles) yet, other than that we know it's a program. But on the mid-range ones, the ones that scare the living daylights out of the British Chiefs of Staff, they may very well be in ²⁰serious production. We hope to have better evidence during the coming year from certain operations. It's one of the great, serious intelligence gaps but I can assure you we're working on it very hard.

So much then for the Soviet, let's look very briefly at the satellites.

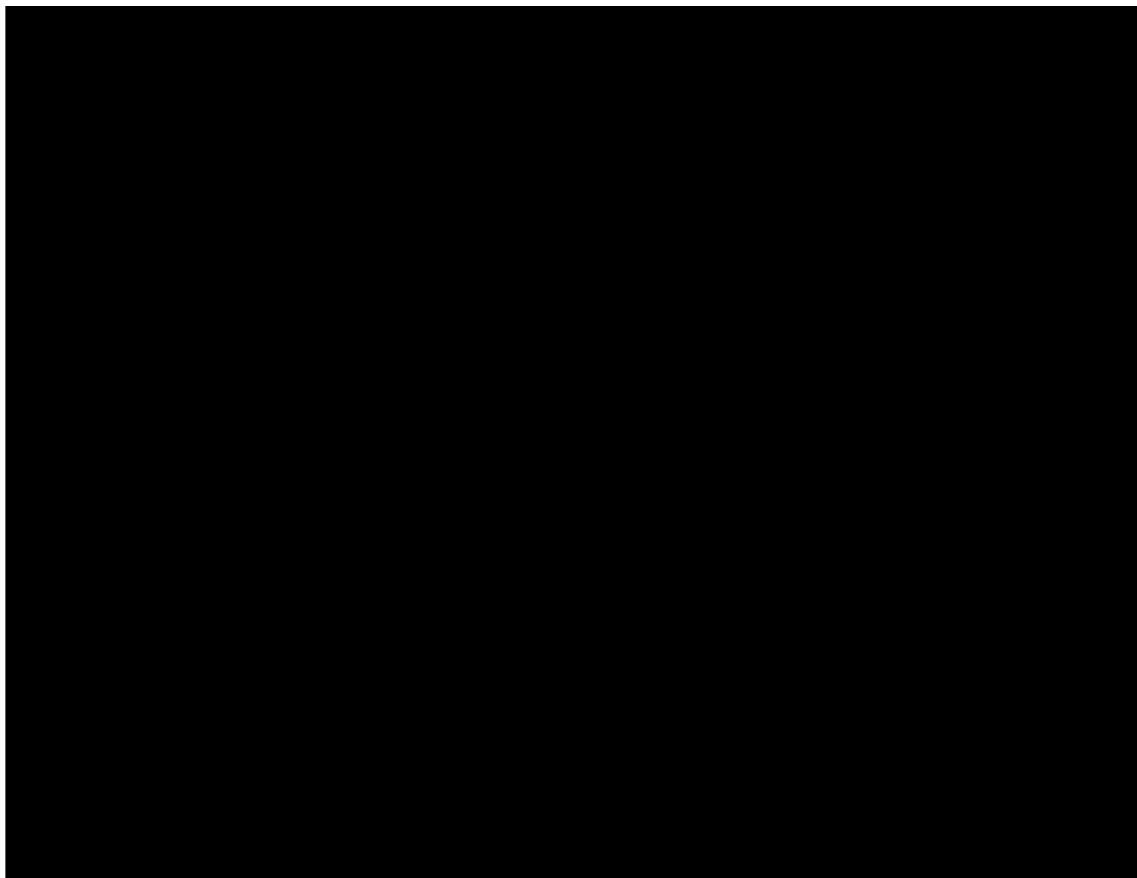
Hungary is in particularly bad shape from their [Soviet] point of view. Hungarians - deeply religious, non-Slav, patriotic - have been the hardest to control of all the satellites and are resentful, bitter and courageous in a way that, frankly, the rest of the satellites do not seem to be. Their economic condition is particularly bad.

Recently, East Germany seems to be sliding into almost the same kind of state that led to the June '53 riots but I by no means predict a repeat of

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those riots. They learned a very savage lesson / ^{about} what happens to people who ringlead those things.

As regards the reliability of the satellites, I'm sure General Schuyler's intelligence agrees that, as an offensive force, the satellite armies (numbering 70-80 divisions) can be very heavily discounted as far as the French, the Belgian or the US army is concerned. But don't forget that with the rearmament of West Germany, you are going to give the Pole something to hate that he hasn't had before, and the Czech to almost the same degree. As far as standing defensively, I think we'll give them a considerably bigger capability.

As regards Western Europe, Mr. Merchant will be here shortly and I don't want to tread too much on his presentation. But from the intelligence point of view, the tidbits I would point out are:



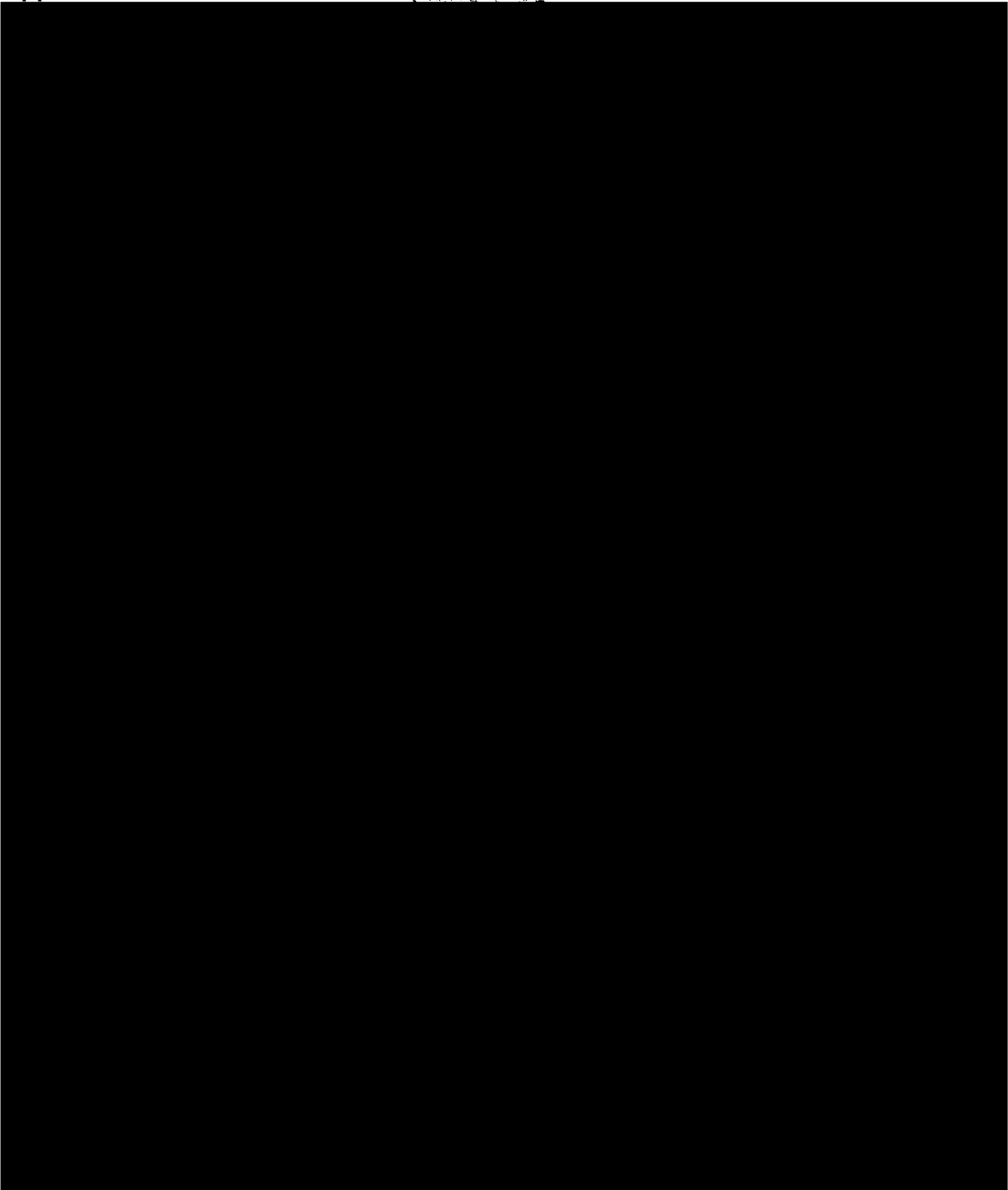
In France, Sunday's good news covers up an awful lot of squalid prospects. There's a desperate unwillingness to face up to their serious problems - North Africa, Indochina of course (they definitely will never face up to that as we would have liked to have seen them do), and their internal economic

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difficulties. I admit France is currently, in a sense, prosperous. You take France as a whole: its GNP is up, and so on and so forth, but it's terribly ill balanced, ill distributed, and I frankly have a very deep pessimism about France. I don't think it's anything novel. I just don't see how you get out of the box that's caused by the cross-cleavages (I choose my words carefully here). You have, as in any industrial society, a basic class interest - not in the Marxian sense but in the sense of labor against employer. However, in France, those are bisected 90° by clericalism versus anti-clericalism, country - regionalism, and so on and so forth. So you can never get a coherent majority back of a 'new deal' or back of an intelligent conservative program. There are always three-quarters of any group of Frenchmen against whatever the other one-quarter proposes. It is also true, and I think should be borne in mind (it was well explained to me recently), that France actually lies across a fundamental border in Europe which, admittedly, hasn't existed since the days of Charlemagne or the early days of the Hundred Years' War. Paris and the regions to the North, and to an extent a little bit to the East, partake of the qualities of the Low Countries: industriousness, ability, etc. - admittedly they drink a lot. But when you get down south of the Loire, in South and Southwest France, you have almost a Spanish indifference to progress. Never the twain shall meet in a sense and this is what you have, of course, in this 'Pujadism' today, of the revolt of the little, hopelessly anachronistic merchants of Southwest France, and their counterparts wherever else they exist in France, against the system. It is not a pretty picture but it's a lot prettier than it would have been, of course, had they failed to rally themselves on NATO and German membership in WEU.

As to Italy. Mario Scelba's visit and so on and so forth shouldn't blind you to the fact that Italy still has very, very serious unsolved problems. We're looking with quite considerable interest to the Sicilian elections this coming June. Communism probably has reached its maximum force in North Italy but the terrible danger is that it's taking over the banner of all kinds of agrarian reform in the deeply depressed South - and Sardinia and Sicily partake of that. So, the chances of Italy's being a strong leader in Europe are not any greater than any of you probably believe.

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It seems to me that you must also remember, in plotting our global strategy in this area, the popularity - this leads right from what I've just been saying - of the concept of a neutral belt across Europe. Sweden, Germany, Austria, Yugoslavia dealing equally, freely and easily with both blocs; making a lot of money out of the difference; not getting lined up in any silly (co-com), this, that, and the other trade wars; and keeping the big powers apart: the concept that if you keep the flint from the steel, there won't be a spark and if there isn't a spark there won't be an explosion. It is

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constantly before younger diplomats, older diplomats, businessmen, and others. I think that Unden, the Foreign Minister of Sweden, is actively promoting it. Raab and Figl are certainly in favor of it. Tito and Kardelj have it in mind.

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Now, make a big jump, geographically, to the Middle East. It's a very complex situation there and all I can do is give you some current highlights.

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The northern tier concept, as you know, calls for a certain alliance already in existence between Turkey and Pakistan, to which Iran will be added in due course and to which Iraq has already been added in part. In other words, it's like building a dyke as the Secretary of State described it: you build your course against the river first and then you build the necessary amount of back fill to take care of the big flood. But to get a hard, brick base across here was the major effort of that policy. It has been tentatively quite successful so far. It doesn't mean that there's any greater military strength there than before, but it's a feeling of solidarity and cooperation. Much has been accomplished.

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equal vote like all international organizations - one country, one vote - you had the little characters from Yemen and other areas hardly out of the 8th Century - now the 8th was a glorious century for Mohammendanism; it was something, but hundreds of years behind the times - putting their benighted influence to work. We lost a lot when the Ottoman Empire was destroyed; if we could have foreseen an Ataturk and a modern Turkey, we would have never,

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in 1918, have forced its dismemberment.' What I believe you're seeing today - and this is to the good and to the bad - is a real effort on the part of Turkey and Turkey's boy (because Nuri al Said in Iraq is little more than that: he's a very fine able fellow and we'd better be glad he is in Iraq) to recreate, in only modest disguise, a good part of this Empire. There is certainly brewing - and it might break in a matter of days - an effort by Iraq to really bring to fruition its concept of the Fertile Crescent, which is the crescent running up the Tigris and Euphrates and around to Lebanon. The Syrian situation is just as weak as it can be and there is temptation on the part of Iraq, backed by Turkey, to move in and just say, "O.K. now, we'll have a nice little confederation." I think it would be excellent but I hope it isn't brought about by scout cars and other things in too high handed a manner. That would leave Saudi Arabia and Yemen to stew in their own juice.

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It's not so good for the Dahrn Air Base; [REDACTED] is not happy about it of course. But in the long run those people [Saudi Arabia and Yemen] are reasonably realistic and I think they would see the light if we kept an 'empty chair' (as we said in the WEU thing) available for them.

Egypt has got itself in a very bad box by sticking with the Arab League side of this (opposing the Turkish-Iraqi alliance) but, honestly, Nasser* realizes it and we've got to be awfully careful to help Nasser out of this box and not to use it against him because we will go a long time, maybe a century, before you'd ever find anybody as basically good, as basically able, in that very slushy situation which Egypt is in. Which reminds me of a story. I haven't had time for any stories yet, but I remember at one of the War Colleges when Field Marshal Sir William Slim was the guest lecturer. He got a very pointed, nasty question about Suez and he sipped a glass of water and said, "Well, gentlemen, let us admit at the outset that Egypt is a dog's breakfast", and at that he preceded to take on the subject. But Egypt, without Nasser and the better elements of the RCC**, is a rather unappetizing meal for us so let's keep him there.

*Lt. Col Gamal Abdul Nasser, Premier of Egypt
 **Revolutionary Council (of military leaders)

Moving on to Pakistan: I found great alarm there, during my recent trip about the situation in Afghanistan. I don't think frankly we've paid anywhere near enough attention to it. Our national policy on it is completely fuzzy: if such-and-such happens, we will then consider in the light of the circumstances what we do about it. Well, I think somebody has got to do a little preliminary planning because, if the present trend continues for much longer, Afghanistan is going in the same way Outer Mongolia went. I mean, you'll never be able to say exactly when it disappeared as an independent country but, economically, it is virtually gone now. We're only putting a million dollars a year into it. The Soviet actual aid program (equivalent to our FCA type of work) is at the rate of \$12,000,000 a year; and, commercially it's much more so. This time, instead of taking over the Ministry of the Interior or Communications as they did in Czechoslovakia and other 'putsch' situations, they've very smartly taken over the Finance Ministry. Why? Because they just had the Finance Minister refuse to pay any bills to any foreign country, particularly the American oil companies. Naturally, at a certain point, the credit managers [of American oil companies] say, "Well, national policy isn't our business. We're just not getting paid for the kerosene. Stop shipping." The result is: in one year from having 80% of the oil business in Afghanistan, we, the collective free world, have gone down to 8%: the Ruskies have 92%. They [Russians] are building roads, building granaries, building oil pipelines. I say something ought to be done! And the worst part about it is that you can't get the Afghans and Pakistani together at all. The Pakistani - I don't blame them for this for in a sense the Afghans have been just as mean and nasty as they can about the Pushtu* issue - the Pakistani said, "We've had enough, if that's the way they want to go O.K., we'll defend here". However, when you get guys like Iskander Mirza** or General (Mohammed) Ayub (Khan)***, good soldiers, they realize that defending "here", compared to defending on the Hindu Kush makes all the difference in the world. And, they're particularly annoyed at India. There's no

*Afghan project to establish an independent "Pushtunistan" from hill tribesmen resident in border areas of Afghanistan and Pakistan.

**Minister of Interior and Frontier Provinces.

***Army C-in-C.

question but that India, because of its annoyance and running spites with Pakistan, is using the Afghans as just nasty little prongs on the other person's back^{side} kind of thing - very short sightedly. We have no particular influence on that because the Indians don't like to listen to us, particularly on matters concerning their immediate sphere in Asia; but I do think the British Commonwealth people can, and are trying, to get the Indians to realize how they are just "biting off their nose to spite their face" as far as their strategic picture is concerned.

In India, to cover 380,000,000 peoples in about 38 seconds, the high point is - and one person put it in a rather homely impressive way - the "onlyness" of Nehru. If Nehru 'gets' his by a bomb or something (and there have been attempts on his life), or dies of natural causes, you can get ten Indian experts together and get nine different guesses as to who will wield the wheel power there after him. In fact, you won't get nine that say there will be an India: at least two of them will say that India just can't hold together as a national polity unless Nehru is given another five years to weld and solder it. It is that feeling on Nehru's part - of the need for India to work in peace - that you've got to understand to be at least objective about their so-called policy of neutralism. India figures that if she gets thrown into another war (and it's Nehru's estimate that any major war in Europe^{as is} will involve her, invariably, before it's over), then everything he's lived for, everything the Indians have striven for since 1905 when they first thought of an independent India, will be lost. And he looks, of course, at the Chinese offshore islands that way; but he also looks at Indochina that way. He says, "Now, I've got the future of 380,000,000 people in my hands. Should I risk them to keep 8,000,000 South Vietnamese who are Cao Daists, Hao Hoas and other rather peculiar and unprepossessing people out from behind the Iron Curtain? Of course not! I've got to draw a rational line but the rational line is not the 17th Parallel when Geneva has said it [17th] would not be a political boundary, etc. Therefore you must not risk the whole future of Asia and my India because you feel sorry for 8,000,000 people being voted behind the Iron Curtain." And for that reason I feel that the International Control Commission under the armistice - of course the Poles will be that way

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but so also will the Indians - will be very, very strong for seeing a vote take place and it can only be upset by arms.

So, moving over to Indochina in Southeast Asia, I think we face a very, very gruesome prospect there. It's all very well to say Diem has done better than he looked as though he were doing last November but he's really done very, very little good so far. There is no basic body of opinion behind him; it's a fragmented country with political, religious and other cross currents. In reality, it just isn't ready for [independent] statehood except the Communist model which is imposed from on top. And we've got to do some very hard thinking as to how we're going to attach or disengage our prestige in this matter because, militarily, the chance of General O'Daniel's building a Vietnamese army into something that can stand up by itself against General Giap* is utterly impossible between now and [July] 1956. I'd be happy to be contradicted but this certainly is the impression I got out there. It [S] Vietnamese forces [of course], can do what it's expected to do: simply demonstrate that an attack is an attack so we can have it as a casus belli if we so desire. But I don't think that you are going to see things happen that way: I think you are actually going to see us forced to agree to some kind of elections, because we aren't the real party to this, and these elections will go heavily for Ho [Chi Minh] - even in the South. (I think I represent minority opinion [in this estimate] but I recently came from there and talked to some very able people, both Vietnamese and French.) Why? Because the Indochinese does not vote as an individual. If you could guarantee each one of them a voting machine with as much safety and sanctity and honest ballot protection as you have in our Westchester County, or whatever your favorite suburbia election, they still wouldn't dare vote against Ho because they think in terms of their village or their district. If my village or my district has a significantly high anti-Communist vote we will be discriminated against - and being discriminated against means, generally speaking, being starved, if not to death, nearly to death, in the aftermath. Their votes are nothing but predictions of what will come and nothing that we've accomplished so far

*Commander of the Communist Viet Minh Forces (North Vietnam)

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in South Vietnam has given any sign of a light that indicates that the storm of Ho is going to recede. And I've got to skip over Cambodia and Laos although I'll say, to give the picture, that they are in worse shape. The King of Cambodia was one of our great friends for a while. I was sitting with Ambassador McGlintock in Manila when he got the message [about the abdication]: "That dirty rat, my King has run out on me". Well, that's just about what it was. A lot of people think that the King is going to be successful and go into the hustings and run for the office of kingship; which is a interesting and romantic concept. (It would be an excellent thing for operettas in the future whether he wins or loses). But the fact is that he has really alienated all the middle class. The middle class isn't very big but, as in any country no matter how small it is, it is a very dominant, important interest. He's got the Buddhist priests with him and through them he's got a certain degree of mass support. But everybody who can speak French [i.e. educated class], except the King, think that he is just a reactionary; that he sold out to his more reactionary mother; and that the only future for Cambodia lies in Son Ngoc Thanh and Son Ngoc Thanh is not a communist but Son Ngoc Thanh is one of the estimable group of people who think that he is the only one who has found out how to deal with Communists. So that is not very prepossessing.

Now if I may say just a word about China in closing. I think we've got here [U.S.] more problems with emotionalism obscuring judgment than we've seen in our country's history in a long, long time. In the first place I'd like to make a few dogmatic assertions and you can shoot at them in the question period.

Communist Chinese have been singularly successful in their five years of running China and they have the support - grudging maybe but support nonetheless - of a vast majority of the Chinese people. Don't ever kid yourself about that. Particularly as far as Chiang Kai-shek is concerned, that battle, at the moment, has been won on the Chinese mainland.

25X1X In historical perspective - [REDACTED]

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stressed this - you've got to recognize that it is more or less a coincidence that communism is in power in China. China would be a menace to us in the

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year 1955 if Chiang Kai-shek had been an intelligent fascist; if he'd had a Joseph Goebbels and a Martin Bormann to run the Kuo Min Tang, he would have been riding the crest of a wave of an xenophobic 'resurgimento' - whatever you want to call it using 35¢ words - of China's picking itself up off the floor as it has done at least five times in 2500 years (a floor ^{on which it} ~~that~~ couldn't have been more abysmally out and flat than at the time of the Boxer Rebellion): a deep seated sense of burning, harbored resentment against all the West, particularly the English and the French and ourselves to a lesser extent, but admittedly existing toward the Russians (but the Russians have handled themselves well). So, you have in China this great drive to come back to the power status it had in the heyday of the T'angs or the Manchus. And the tragedy to us is that just at that moment in history the Yen'an movement succeeded. Instead of having the Emperor T'ai Tsung* who was sort of a buccaneer general type, you have a dyed in the wool communist. I'm not one of these agrarian reformer boys - don't get me wrong on that - but it is just as wrong to think of them [Chicom leadership] as pure international communists and not to recognize that they are Chinese patriots, too, as it is to think of them as sort of new dealish Henry Wallaces with slant eyes. (Excuse me, officers, I don't mean to be . . .).

Now, what's going to happen in the Straits? The Class here has had some talks on this from my people and, I assume, from others. Despite all the public talk about it, which was cleared a little bit yesterday by a release, there is no immediate sign of great buildup for an attack tomorrow or the next day. The degree of increase of preparation in Fukien since last September is very, very minor, percentage wise: guns in place, armies in place, trucks, etc. I think that's because they were a little bit caught by surprise that they didn't have to take the Tachens - so much of their preparations ~~were~~ up further North. This map isn't much help but we're talking about there [opposite Tachens] and now they've gotten a long bad communication line to come down. But I am absolutely convinced - ~~soo gooding toooooo~~ I went out of my way in Hong Kong and elsewhere to ask every service attache, every consul, British, American, everybody I could talk to: "Do you think they are

*Second ruler of T'ang Dynasty, ruling brilliantly AD 627-649 and bringing China to new pinnacle of power.

going to attack? And do you think they are going to attack even if they expect America to do everything it can to defend the offshore islands?" 100% of those people, newspaper men too, said, "Yes. They're coming!" This they are going to do, so it leaves it up to us. Are we going to engage our prestige and fight for these Islands? In which case there are just two facts that are fundamental - I would like you to consider these TOP SECRET despite the classification of the talk - and they certainly are collective opinion: (1) that this can't be done without the use of nuclear weapons. They're just too close. For example, I talked to Admiral Spruance (now returning from our ambassadorial post in Manila; you might say in some respects the 'Lord Nelson' of America) and he said, with the 5th Fleet in its full panoply. In 1945 he couldn't have stopped a determined attack - one willing to take all the casualties that the Chinese can afford to take - to take those islands. You could retake them, of course, but you can't stop them being taken.

(2) If you get into an atomic war over the islands, let me just in one second tell you that, with the exception of Formosa itself, Syngman Rhee and possibly part of the Philippines (Mag Say Say) your name will be an anathema in Japan, of course in South Asia and Indonesia. It will be in Australia; it will be in Canada; and it will be, in varying degrees from white hot rage to !oh God! I wish they hadn't done it, in Western Europe. Now if, on the other hand, you get off the offshore islands, in some way or other - and it's going to take a lot of hard doing; I don't mean it's ^{an} easy option - and fight for Formosa, using the ^{same} "A" weapons, if necessary, you will have, in that case, hostility from Indonesia, India and a few places in the Middle East, but support ranging from enthusiastic, participating support from certain of the Commonwealths through to at least benevolent neutrality from the rest of the Free World: that you've drawn the line; by God, you told them; you've done it! That's the choice that confronts us, as I see it, today. And I'm trying to limit myself, as an intelligence officer, to merely pointing out the reactions. I will not say which I would do. You may be able to read between the words but that's over my time.

Thank you very much.

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Office Memorandum • UNITED STATES GOVERNMENT

TO : [REDACTED] 25X1A9a

DATE: 31 May 1955

FROM : Robert Amory, Jr.

SUBJECT:

1. My talk at the Army War College last March in which you helped me very much has been returned in transcript form.

2. Without imposing on you I thought you might be interested in skimming through Amory's objective view of the cosmos.

3. In this connection I trust you have read [REDACTED] of 25X1A2g 28 April 1955 which I found highly persuasive and sufficient cause for me to now change in part my thinking on the relationship between heavy industry and armaments industry. However, I am a lot closer to Embassy Moscow thinking than I am to the current NIE and [REDACTED] Glad to have [REDACTED] or anybody else 25X1A see this but don't want to send it through channels as "official" dogma.

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TRANSMITTAL <small>IP</small> CONFIDENTIAL <small>(Date)</small>		
TO: <i>DDI</i>		
BUILDING	ROOM NO.	
REMARKS: <i>Bob —</i> <i>Thanks. I think this is</i> <i>a good / a good speech.</i> <i>It still looks pretty good except for:</i> <i>(1) paragraph on p. 11 about pushing</i> <i>crises to point of shooting.</i> <i>(2) paragraph on p. 23/24 about Chicom</i> <i>attacking offshore islands.</i> <i>We may well see these two passages come true again,</i> <i>but right now they are out of phase with Soviet</i> <i>"negotiations" policy. Much may turn on what</i> <i>happens at Geneva. Ray</i>		
FROM: <i>CS / Sov</i> <i>OG</i>		
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